

December 31, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.50	SMERA B+/Stable (Assigned)
Letter of Credit	7.00	SMERA A4 (Assigned)
Bank Guarantee	1.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA single B plus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.10.00 crore bank facilities of Pharmachem Traders Private Limited (PTPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale operations and low profitability in an intensely competitive segment of the chemicals industry. The ratings are also constrained by the company's susceptibility to forex fluctuation risk. However, the ratings are supported by the company's experienced management, efficient working capital management and established relations with suppliers and customers.

PTPL, incorporated in 2000, is a Kolkata-based company engaged in trading of chemicals. PTPL's small-scale operations are reflected in operating income of Rs.24.35 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company's low profitability is evident by operating profit margin of 1.08 per cent and return on capital employed (RoCE) of 6.06 per cent in FY2013-14. PTPL faces intense competition from several players in the chemical industry. The company's operations are highly susceptible to forex fluctuation risk inherent in import purchases, which account for ~40 per cent of the total raw material purchases. PTPL restricted its trading activity during FY2013-14 on account of intense volatility in forex rates. The company's revenues thus declined from Rs.28.67 crore in FY2012-13 to Rs.24.35 crore in FY2013-14. Moreover, PTPL incurred forex loss of Rs.0.65 crore in FY2013-14.

PTPL benefits from its experienced management. Mr. Sachin Pal, director of PTPL, has around four decades of experience in the chemical industry. PTPL's efficient working capital management is evidenced by credit balance in cash credit account during the six months ended August 2014. The company also benefits from its established relations with suppliers and customers.

Outlook: Stable

SMERA believes PTPL will continue to benefit over the medium term from its experienced management and efficient working capital management. The outlook may be revised to 'Positive' in case the company achieves substantial growth in its scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's working capital management, or in case of decline in the company's profitability.

About the company

PTPL, incorporated in 2000, is a Kolkata-based company promoted by Mr. Sachin Pal. PTPL is engaged in trading of various chemicals such as melamine, caustic soda flakes, LLDPE etc.

For FY2013-14, PTPL reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.24.32 crore, as compared with PAT of Rs.0.18 crore on operating income of Rs.28.67 crore in FY2012-13. The company's net worth stood at Rs.4.96 crore as on March 31, 2014, as compared with Rs.4.11 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-67141191 Email: Antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Rating Operations Tel: +91-22-67141107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-67141128 Email: ratingdesk@smera.in

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